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Behind the scenes with blockchain upstart

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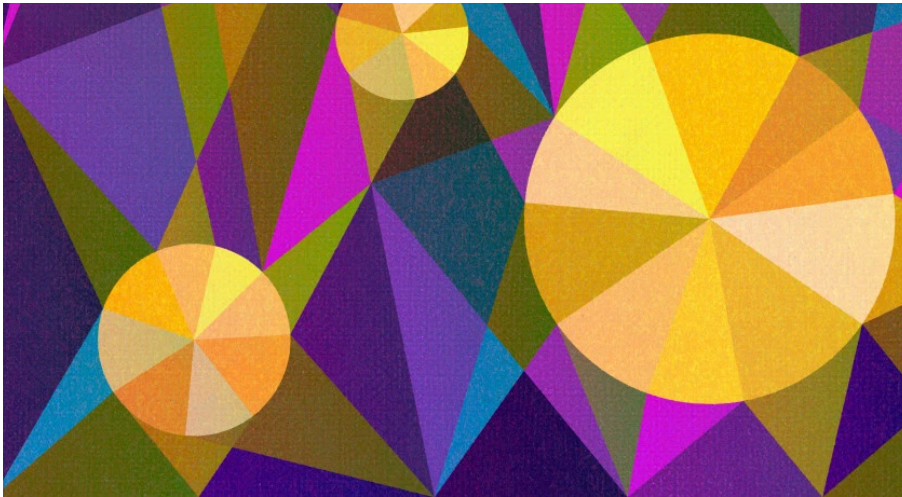

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Odds are you have at least one buddy who bought bitcoin a year or two back. Odds are that they are giddy about their good fortunes. And they should be—since Satoshi launched the network in 2009 bitcoin has risen to a market cap of \$40 billion. The cryptocurrency saw a 200% surge this year to a record high just shy of \$3000 in June.

But beneath these numbers, the feuds among core developers over resolving longstanding issues have simmered on, most critically how to increase block size. Under the current 1MB block capacity, congestion of the network has put bitcoin under strain, resulting in higher


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frontier technology.

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struggling to amend their core rules. Math may be math

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Bitcoin will no doubt get through these trials and and hit

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But the civil wars raise important questions. Enter Tezos:

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designed with an eye towards avoiding these flaws by b
protocol itself, allowing for formal coordination and upgr

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[In an interview for Flux](#) I sat down with Kathleen Breitm

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Tezos, which is nearing the end of it's two week fundrais

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With a whopping \$200m raised (at current btc and eth p

Coin Offering records to date. That's saying something

gone into ICOs (Kickstarters on steroids) in 2017. Exuber

perhaps—but that doesn't mean there is no real value ur

projects raising funds, or in the underlying crypto-token

RRE is not involved with the company and this interview

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participate in their fundraiser, or in any ICO, but hopefully,

headlines and into the live thinking of a startup on the forefront of this trend. In the

interview Kathleen discusses the rationale around doing an uncapped fundraiser, how

the team is navigating a landscape with no existing regulatory framework, why they

chose to set up a non-profit in Switzerland to receive the funds, and how they have

responded to DDOS and phishing attacks. Kathleen also discussed her identification

as an anarchist-capitalist and its roots in cypherpunk, her love of Milton Friedman, and


the quirks of being a husband-wife founding team.

An excerpt of our conversation is published below.

make protocol decisions is the formula for earning trust and generating widespread adoption on the blockchain.

AMLG: I guess we should start at the beginning and You're the CEO and co-founder along with your husband and he's the CTO, the architect. You told me you met at an anarchist meetup in New York in 2010. What is the sexiest pickup lines does one hear at an anarchist meetup?

KB: It all starts off in a in a bar near NYU in 2010. I was on the team. We had just lost mightily to a better school in a debate on at the bar and I was 20 years old and was very temporarily flowing beer, a hot commodity for 20 year olds. I met this guy Tennyson and I got along just fine and he insisted I come on Monday. He left out a lot of details. The deal-breaker probably was a crypto anarchist lunch—minor detail. The theme of the

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ALMG: Could you explain what happened there, wit

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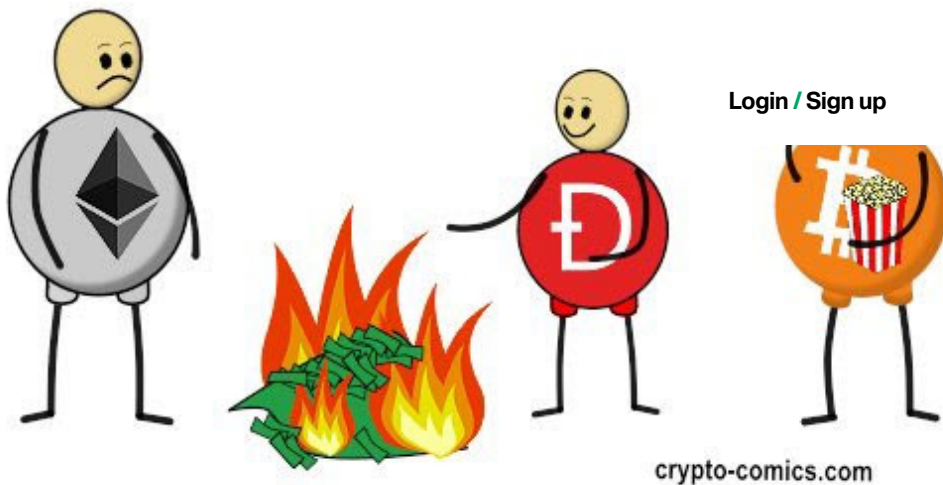
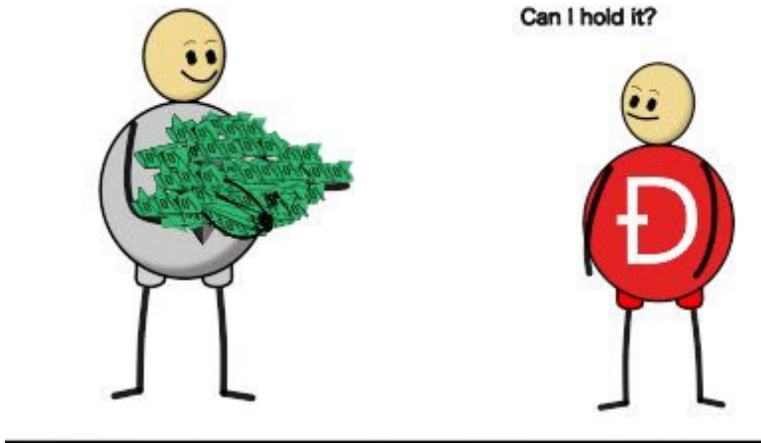
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Look how much I have.

Can I hold it?



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14% of all Ether was deposited into the DAO, a smart contract (computer program) running on Ethereum. It became at risk due to a flaw in the contract

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as to whether or not there ought to be a do over. Call it the whole DAO fiasco. That led to a split in the chain of Ethereum into two versions: Ethereum Classic which is favored by some because it didn't unwind this transaction—it forced people to live with the consequences of this heist. And then regular Ethereum today, which basically called a do over. This was ultimately the whole nexus of Tezos is—governance is very much divorced the math and computer science aspect from the business. So this forced a conversation.

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AMLG: So when there's a fork and a community has decided there's basically an informal process that's determined the perception of which fork seems most authoritative and the constituents shout the loudest which is what we saw with the problem you're trying to solve with Tezos—you're trying to figure out the process of how one upgrades a protocol?

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KB: So the [Tezos position paper](#) examines the potential threats to bitcoin. Ethereum was not factored into the analysis in the initial white paper or [position paper](#), but yes essentially the idea is that ultimately these systems are very fragile in the sense that if you have undue influence over the protocol on this soft level you can render different results at the protocol level.

You see this with bitcoin. You have core developers who have personalities and it kind of becomes a cult of personality over who you're with and people taking sides on Twitter. But there's no meaningful way to enact change. In the sense that ultimately

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anything that you would vote to change? What do you think technically-savvy tokenholders?

KB: That's a good question. We have what's called delegation system. Essentially what this means is that everyone who is a validator in the network. Or they can actually assign that person can vote on their behalf. So there is going to be no politicking, but at least it'll be something where people can vote in a more legitimate way than just saying that that guy's right.

AMLG: So sort of a proxy vote.

KB: It's a proxy vote yes. Some people call it liquid democracy.

AMLG: But you can never really remove the element of other humans' ideas right, it's just the voting piece?

KB: Most definitely. That's an important caveat. That's why we're an experimental piece of technology. Ultimately this is still going by people's judgment, which is of course always subject to some sort of fallacy. The main innovation with Tezos is giving a way to air legitimacy on the chain. Right now it's sinuous as to how decisions are made. By making things more explicit we hope that we can get more useful conversations going.

AMLG: It's super relevant now since we're seeing this play out with massive battles over block size in bitcoin, whether to go with bip-148 or SegWit2, all these different things. Maybe you could just fit Tezos into the landscape for the listeners. You've said previously that the Bitcoin model is so decentralized that

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and they all have different reasons, what the main reason is for the protocol. What's the proposition here.

AMLG: Then that proposition has to pass a thresho

KB: Yes after testing. We'll spin up a testnet. It will say if this preserves privacy but we actually found that it does

AMLG: What happens if you don't get people over a DAO propositions won only 5 or 6% the votes.

KB: One way of approaching that is delegation—making critically about every proposal. If you take a vacation you much about the network.

AMLG: Right and it's very easy to bash every option

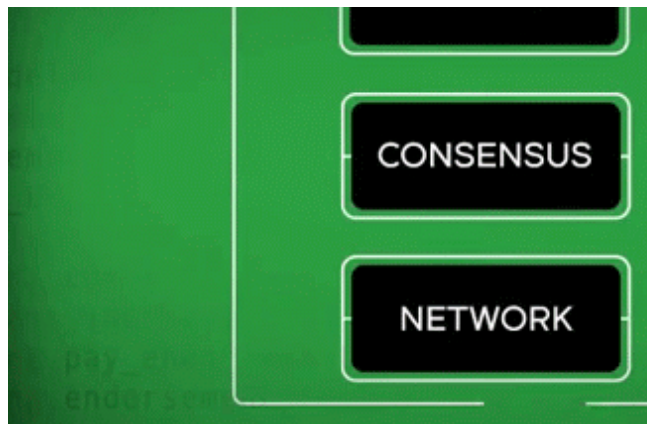

KB: But we also adjust the quorum every time. For instance two people making all the decisions. That's a weird outc

AMLG: Is it possible that Ethereum could change its governance structure?

KB: They could introduce different roles for people. They could introduce something like a representative democracy. But the innovation with Tezos is that we can actually iterate on our governance model. We can adjust it at the meta level. That's something you have to bake into the protocol at the base layer.

AMLG: They really can't bake it in at this stage—it's done?

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KB: Yes. It's called a hot swap on the protocol.

AMLG: Hot swap on the protocol. Well Vitalik is a br
fact that your **smart contract language is Michelson**

KB: *Michelson*. At least that's how French developers p
know, I mispronounce everything—

AMLG: How's your blockchain French?


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KB: Better than my blockchain English.

AMLG: But so it's a reference to the Michelson-Morley experiment, which
disproved Aether right? Not to be confused with Ether. That's hilarious. I love
that you guys throw those little things in.

KB: It's the only cheeky thing we've done.

AMLG: The other interesting thing is that you've built in incentives for
developers—bounties and invoice potential on the chain.

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AMLG: For the mercenary engineers out there.

KB: There are many of them.

AMLG: Really you guys have been working on this for a while, and you're just making your entrance onto the scene now. Of course it's still very early, but surely many of the folks out there have already taken stakes in other competing ledger technologies. How do you think about these existing vested interests and converted people? Do you know you've said that community building has turned out to be the hardest parts.

KB: It's genuinely really tough. I think that's part of the reason why a crowd sale. When we were thinking of the best way to go about it, it wasn't obvious to us how to do it. But one way is to make it possible for people to have the ability to take part in the ecosystem. People having an interest in your fundraiser is a way to get them interested in the

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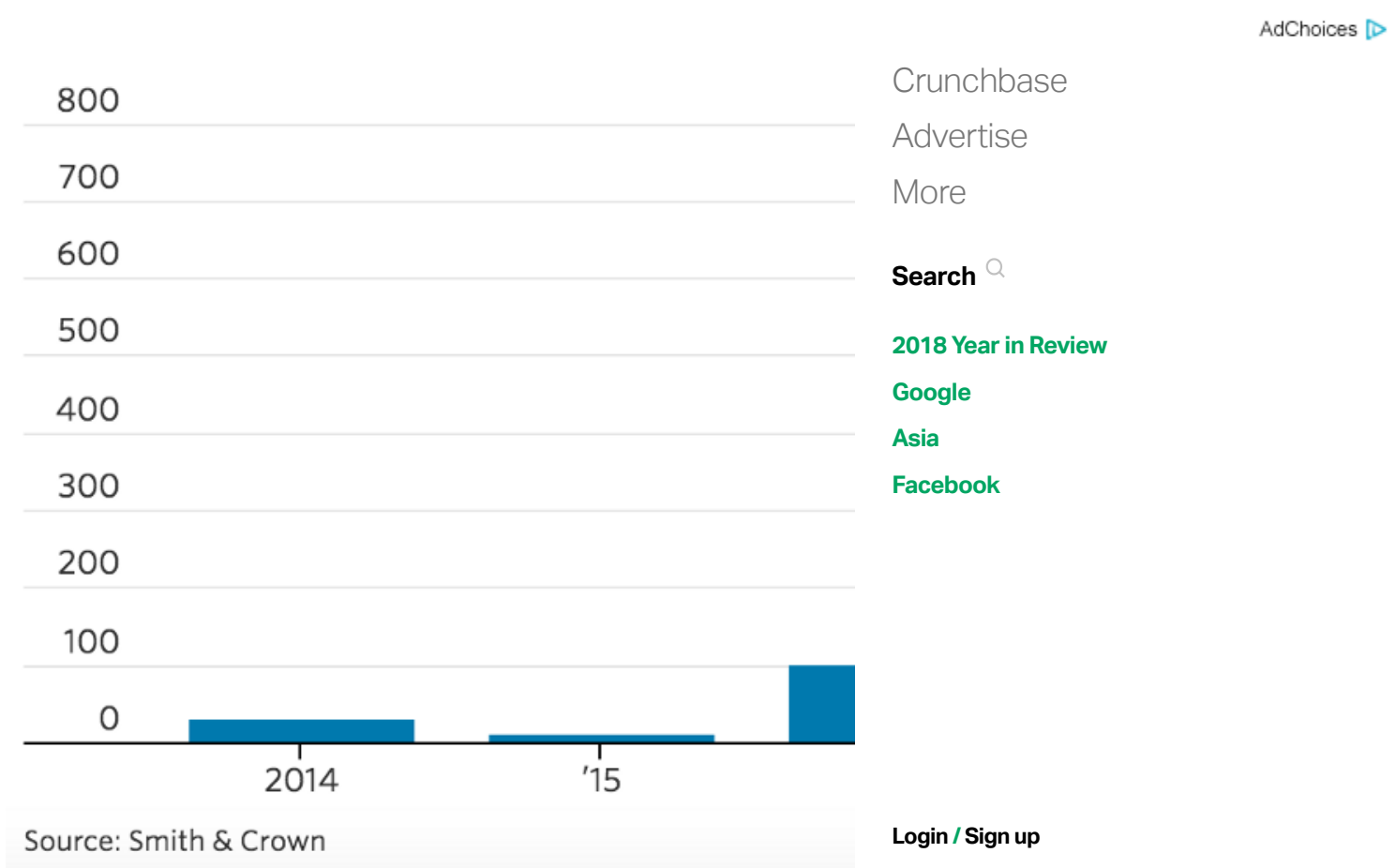
AMLG: You really opened it up broadly with the fundraiser.

KB: Absolutely.

AMLG: Should we not be saying ICO?

KB: I mean it is a fundraiser. People call it an ICO. But it is a fundraiser. I was thinking of making tote bags like PBS tote bags.


AMLG: Because we're donating to a nonprofit.



Roughly ~\$1.3b billion cumulative dollars have gone into ICOs in 2017, with over \$600 million in June alone.
[For more data see [Smith + Crown](#).]

AMLG: Let’s step back for a second and lay out the landscape for people who haven’t seen all the headlines on ICOs. What’s a quick explainer on an initial coin offering and what have you done so far.

KB: Basically there are a number of new projects in this space and one way to distribute the token is to simply receive donations to their blockchain and then in return you get the token. And typically they’ll price it at a certain number of Bitcoin or

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...ception it's easy to fall into cynicism. There's all this Reddit throwing out one liners. But the papers you're reading and well-thought out answers to some of these mailbag questions want to get into a few of them. The first thing I want to pushback over the fact that the fundraiser is uncapped—there's no upper limit on the funds you can raise. The time window in which you're raising—two weeks. In the end, the reason for this which I will read here:

“There is no cap on the amount of contributions that will be accepted in order to ensure that participation is not limited only to individuals. The Tezos team believes that an uncapped fundraiser will be a necessary prerequisite to the distribution of the tokens a necessary prerequisite to launch the network.”

So that inclusive argument instinctively makes sense. The problem with democracy is democracy. The system is not going to get things right and in this case your crowd may be a little bit of lot of speculative buying in China for instance. Do you worry about who the tokenholders are and whether their incentives are aligned with Tezos?

KB: It's tough. We didn't do much marketing outside of the U.S. Well rather Arthur and I are based in the U.S. and we talk about the technology in mainstream U.S. press outlets and sometimes it's picked up in Asian outlets. We mostly have just been evangelizing about the technology. But certainly there are a lot of people who are interested in the more speculative aspects. I think there's a lot of fervor and froth in the marketplace right now. That does make it a bit odd to launch something that's more community-based on some level when there's a lot of people who are just profit-

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promote the use of the Tezos protocol or participate to the Swiss Foundation which in turn provides the allocation. You've said the Foundation will spend or funding developers. If your director decided he wanted to buy a Caribbean island where there's a tax that's kosher if Johann wants—

KB: That's a good question. Part of the reason this is not have no claim on the revenue and that includes the revenue. The Tezos Foundation is at the behest of the Swiss nonprofit directive to adhere to whatever the Tezos foundation sees wants to buy a Caribbean island where there's a tax that's kosher if Johann wants—

AMLG: So if they program better there it's OK—as I

KB: Ha yes. If Johann wants to buy a Caribbean island the Tezos blockchain in some way, I guess that falls in line with it because—well he's quite pale so I don't know if he wants to go on vacation and buy an island that would not be OK. You could theoretically hold him accountable under Swiss law. And I think that the Foundation ought to survey the community for major decisions to reflect their will better. But there's no explicit voting mechanism on it. Part of the reason that's not such a bad thing is that anyone can contribute to the protocol. There's the Foundation which has veto power for one year, but other than that they don't have any favored status in the protocol.

AMLG: It's amazing how you're paving the way and there doesn't seem to be any regulatory framework for what you're doing. What was your thinking on

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KB: I think so. There are other a few other places — OK prediction market token I think they had their token sale to do work around this. I think the Ethereum foundation right now. So there's all sorts of accommodating usually to work with you.


AMLG: Why is it there so much nastiness in the blockchain space? Or is it just smart people with opinions strongly held? Or is it just people who are just naturally inclined towards taking politics too. “I’m team Ethereum. Ethereum is going up or down, why do you think you’re better than Ethereum?”

KB: I think people are just naturally inclined towards taking politics too. “I’m team Ethereum. Ethereum is going up or down, why do you think you’re better than Ethereum?”

AMLG: But actually it seems like you cooperate with a lot of people in the space. I mean Zcash, Zooko—he’s one of your friends, right?

KB: Oh yes Zooko. In general we have a good working relationship with most of the people in the space that we admire. It’s really folks who can’t evaluate our technology who get really upset with us and start to caterwaul. You can’t let that get to you. Honestly if you look back at Ethereum people were much more vicious. So we got off pretty easy on the vilification front. Most of the attacks have been very personal. But I’ve been on the internet since I was 12. And I worked at Bridgewater so I have thick skin.

AMLG: All the character building you needed.

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AMLG: What is your go to book?

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KB: The new like 24 spin off, Designated Survivor. It's ju

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AMLG: Your brain doesn't even need to be switchec

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KB: It's just its so stupid. It's really fantastic because it's conspiracy theory and you can't quite trace it.

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AMLG: And your parents now know that you're doir were "a financial software engineer" for a while.

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KB: Yeah I was doing "accounting software." Now they'r unfortunately has learned what Reddit is like. But she si doesn't seem to be assuaged by the arguments that I'm terrible. So I've got that going. My mother still loves me.

AMLG: I'm curious to zoom out for a minute on you Cap. What exactly is an anarchist capitalist, in roug

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KB: In general its someone who believes that markets do a better job of distributing goods than the government. They tend to have a preference against government aggression in any form.

AMLG: You put at the top of your white paper "*laissez faire les proprietaires*" which sums up a lot of this. You've said the whole cypherpunk movement is about using the Internet to free people both informationally but also financially. It's interesting to think about how Tezos and the work you've been doing builds upon decades of thinking. Privacy advocates have been organizing in Silicon



That was 1988—20 or so odd years before Bitcoin. |
 a long time and then cryptocurrencies raised their h
 and then boom Satoshi. Where do you see yourself fitting into this long history
 of crypto anarchist capitalists?

KB: To your point it's been a series of failures and a series of people who are a bit too far ahead of their time. So I hope my timing is right. It is just massively experimental. So we have to take that into account. Bitcoin is the new fad. It's the new fashion. People like to talk about it because it invites people to think about a world without intermediaries as they know it. That's cool. Maybe bitcoin isn't the end game. Maybe it's some other application that's built. But I think it's a very inspirational piece of technology.

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AMLG: I was on Twitter this morning and I thought y
[that Andy Weissman of USV tweeted out](#). So a prom
 Yaneer Bar-Yam, who crunches big data and genera
 systems—he actually accurately predicted the Arab
 mathematical frameworks from quantum field theor
 government. He found something that we have alre
 that hierarchal systems no longer work given how c
 and how globally interconnected we are. Hierarchie
 kingdoms but since the 1980s there’s been a break
 crisis or environmental issues or diseases, it’s just
 entities or people at the top to respond to and decic
 this analysis he proposed a shift to “horizontal dist
 to me points straight to you.

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KB: Why didn’t he publish this like six weeks ago.

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AMLG: He also looks at the brain. If you think about the brain there isn’t one
 neuron telling the other neurons what to do. There’s a collective behavior that’s
 responsible for how we think and decide. As you read this research you think
 OK this makes sense, everything is too complex, but then what’s the
 mechanism?

KB: Yeah part of the reason that we set up Tezos the way we did—and we could have
 been way more prescriptive with the initial governance model—the reason we chose a
 vanilla two-phase vote was because we didn’t want to be too prescriptive. It took

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spinning for one thing and you're not always super sure you're building in. One of my favorite anecdotes is that I used to give money out for rat pelts. The idea was they cities. What happened instead was that there were elaborate always fine tune human behavior. You never quite know best to take a wait and see approach and see how communities self-organize.

AMLG: Why the name Tezos?

KB: When we were coming up with the name Arthur was wrote an algorithm to find an unclaimed .com that was popular. Apparently it's slang in Colombian teenager speak on Twitter massive freebie.

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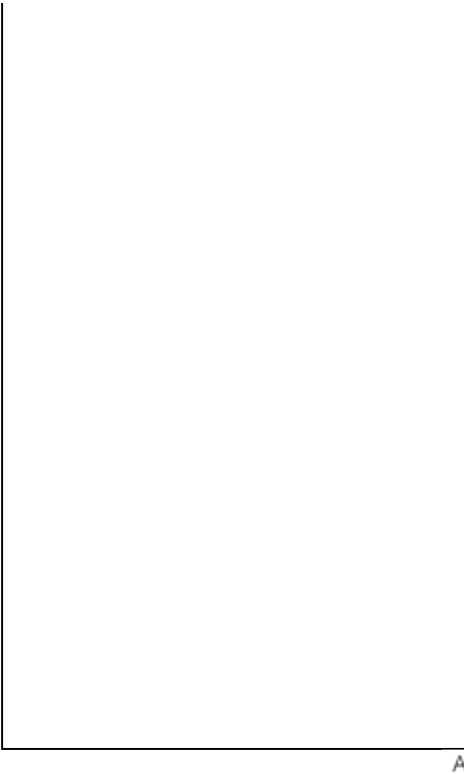
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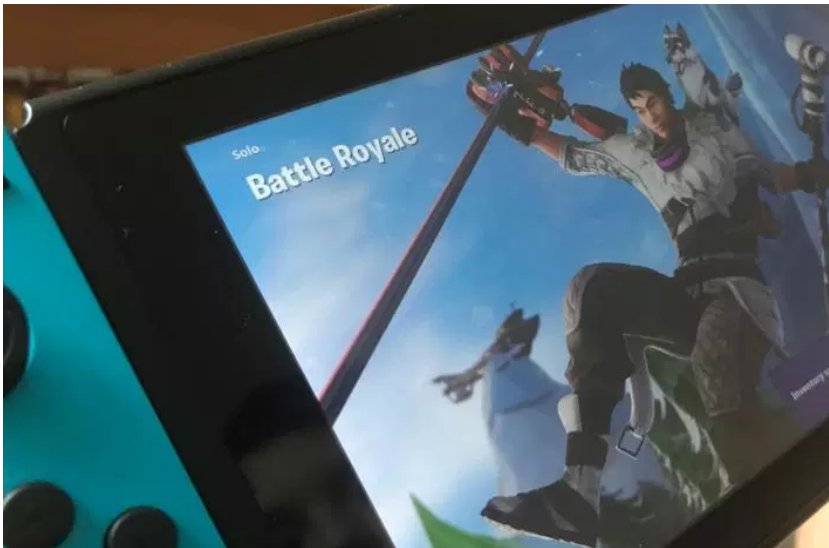
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